

Statement of Paul Rovey

before the
General Farm Commodities and Risk
Management Subcommittee of the House
Committee on Agriculture

May 1, 2006

Central Arizona College

Coolidge, Arizona

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Thank you Chairman Moran, Ranking Member Etheridge, Members of the Committee, and Congressman Renzi. I appreciate the Committee's invitation for me to come here today and present my views on dairy in regards to 2007 Farm Bill. I am Paul Rovey, and I represent the Arizona dairy farming community and my cooperative, the United Dairymen of Arizona, UDA. I am also involved with several other national dairy and farm organizations, which are listed in my bio.

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HOUSE AGRICULTURE
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Monday, May 1st, 2006 – Coolidge, AZ¶
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Our family dairy operation milks 2100 cows at Glendale, Arizona, where our family has been in the dairy business for the last 63 years. My family started in the dairy business originally in 1909, in what is now downtown Phoenix.

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I want to begin my statement with a very big THANK YOU to the House Committee on Agriculture, Chairman Goodlatte, and Ranking Member Peterson for their leadership in passing S. 2120 recently. This was the producer-handler/unregulated plant legislation which our co-op, and others that are part of the National Milk Producers Federation, worked so very hard to pass for three years. There was one dairy farmer in our state who raised a big stink about this matter, but I'm speaking on behalf of the 100 other farmers [in this state](#) whose prices were depressed because of his unfair advantage. I can tell you that the silent majority of my fellow farmers here thanks you for closing that loophole and putting all of us on the same playing field.

Dairy farmers are in the process of working toward a consensus on the policy items we would like to see addressed in the 2007 Farm Bill, using our Dairy Producer Conclave meetings to obtain input from dairy producers across the country.

The input at those listening sessions – conducted earlier this winter in California, Illinois and Virginia – will ultimately be shared in a formal document with agricultural leaders in the House, Senate, the USDA, and other relevant agencies. I attended the meeting last January in Sacramento, and I can tell you that we had a spirited discussion about many of the items that we are all concerned with.

My main message today is that there is strong consensus that the dairy portion of the next Farm Bill should contain some form of an economic safety net for dairy farmers. We don't anticipate that dairy producers will want to implement any radical changes in the philosophy or direction of farm policy, and thus we hope you will agree that it is important for a [strong and workable](#) safety net to exist now, and in the future.

While we are open to further dialogue with members of this committee about the specific future form of that safety net, let me suggest a few general themes that are advisable, regardless of the final outcome of the Farm Bill's creation:

- The safety net should not discriminate between farmers of differing sizes;
- The safety net should not discriminate between farmers in different regions of the country;
- The safety net should not result in price enhancement, meaning that it should not be an inducement to produce additional milk. The government's safety net should

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be just that: a device that prevents a collapse of producer prices, without stimulating milk output or sending inappropriate signals to the marketplace.

As you are aware, three years ago, dairy farmers created their own self-help economic program called Cooperatives Working Together. We have enjoyed above-average farm prices most of the time since 2003, thanks in part to CWT's impact in helping stabilize [the balance between](#) supply and demand.

But it's important to remind you that CWT was never intended to replace federal farm programs. Rather, our self-funded program is a supplement to what the government has in place. The dairy price support program is our current safety net, and CWT has helped us enhance prices above the very low price level maintained by the dairy price support program. The two complement each other, but CWT would be [extremely difficult](#) to sustain without knowing that the government also has a role [to play in managing programs to help foster the health of our dairy industry](#).

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That is particularly important where the Dairy Export Incentive Program is concerned. CWT has been busy lately helping export commercial sales of butter and cheese. But [CWT's](#) Export Assistance program is not intended to replace the Dairy Export Incentive Program that is also part of the current Farm Bill. So long as the WTO allows the use of export subsidies, we should use our DEIP program to the fullest possible extent, to help counteract the heavy dairy subsidy use of the European Union. [We did not utilize this WTO-authorized program at all last year, nor does it appear that USDA is likely to use the program this year, despite dwindling milk prices. Dairy producers accepted a number of responsibilities as part of the U.S.'s WTO commitments; it is only fair that we be able to exercise the rights that agreement granted to us as well.](#)

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Let me also make a point about the relationship between the 2007 Farm Bill and the Doha Round of WTO negotiations. There is a "chicken and egg" dilemma that Congressional agricultural leaders must consider: namely, that it's hard to write the next farm bill with one eye on whether there will be a successful round of trade talks that is actually concluded and signed by the U.S. government in the next year or two. Both are important to America's dairy farmers; both represent opportunities as well as concerns.

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We support a successful multilateral round of trade talks if it helps level the very uneven playing field in dairy [export](#) subsidies, tariff protections, and domestic support programs. But we won't support any final agreement that doesn't represent a net increase in our opportunity to [better](#) compete against our more heavily-subsidized and protected competitors in the EU, Canada and Japan, [as well as more balanced trading opportunities with key developing countries](#).

If it would provide greater clarity to the authors of the next Farm Bill, NMPF would support extending the same levels of funding that exist under the Farm Bill that is now scheduled to expire in 2007. Such an extension of funding not only will help preserve an appropriate level of baseline funding for agriculture, it will also give our trade negotiators additional leverage, and may hasten, not lengthen, the WTO negotiations process.

Further, I can tell you that if we would have to decide today what our safety net should be for the next Farm Bill, we would support the continuation of the dairy price support program with or without a successful Doha round. We strongly disagree with those who claim that the price support program must be phased out or eliminated upon completion of the Doha Round.

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Finally, let me touch back for a moment on the Dairy Producer Conclave process and the input we are seeking from our members about the next Farm Bill. One clear theme that emerged from the Conclave process is that America's dairy farmers see their future success as being impacted by more than just a narrow interpretation of what the Farm Bill should cover.

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High on the list of priority concerns for dairy producers include:

- Changes in our environmental policies that address the water and air impacts of livestock operations. Especially important is finding a way to encourage our state and federal regulators to use science-based approaches that generate compliance, as opposed to harshly penalizing perception-based problems;
- The need for Congress, and in particular the House, to implement workable immigration laws that recognize the reality of today's food production system, and that don't turn farm employers like me into either criminals or immigration authorities. We need some sort of guestworker program that will allow our farms to continue to operate efficiently, and I can tell you sincerely that the House immigration bill passed late last year is not the right approach to take. The approach taken by the AgJOBS 2006 provisions included in the bill recently approved by the Senate Judiciary Committee represent a much more workable way forward on this issue for agriculture, including dairies.
- The need to develop a mandatory national animal identification program, which is of particular concern if the USDA moves ahead with reopening the Canadian border to breeding cattle such as dairy replacements.

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Let me close by also mentioning the importance of another self-help program that dairy farmers fund, but this is one that was created by Congress in 1983: the 15 cent national dairy checkoff. 10 cents of that money goes to a qualified promotion program at the state or regional level – we have that in the state of Arizona – and the other 5 cents goes to the National Dairy Board.

This year, the checkoff will collect about \$270 million, much of which is invested through Dairy Management Inc. in a single Unified Marketing Plan designed to sell more dairy on behalf of all dairy farmers. I happen to be the current Chairman of DMI, so I've been working closely with the staff of that organization to make sure my fellow producers' dollars are wisely spent. Those dollars are invested in research, promotion and in partnership with cooperatives, processors and other industry leaders to overcome the barriers to increased sales and consumption of dairy products.

In the last few years alone, the checkoff has spurred a large increase in fluid milk consumption in quick-serve restaurants and in schools, by making a more attractive milk package available to children and their parents. These fast food outlets are recognizing that it's good business, as well as good for their younger customers, to offer families white and chocolate milk as their most nutritious beverage choice.

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We hope that Congress understands that dairy farmers view the checkoff program as a critical part of their business. It helps us collectively work with food marketers in a way that most farmers individually simply could not.

One thing that the previous 2002 Farm Bill included was a provision for collection of the dairy checkoff on dairy products imported to the U. S. Here we are four years later, and there still has not been any collection of the dairy checkoff on imported products. Our understanding is that until the checkoff assessment is applied to farmers in all 50 states, our trade negotiators feel that applying it to importers represents a potential trade violation. So, we need legislation to provide for the collection of the checkoff from dairy farmers in Alaska, Hawaii, and Puerto Rico – where there aren't many farms, but there is a handful - before the checkoff can be collected on imported dairy products.

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Mr. Chairman, we need this additional legislation even now, before the 2007 Farm Bill. Other commodities that have checkoff programs assess imports, so this is a matter of basic fairness. We are seeing more dairy imports in our market, and they should not enjoy the benefits of our \$270 million promotion program, and our enormous consumer market, without contributing to that effort.

In closing, Chairman Moran, I want to thank the Committee and Subcommittee for having this series of field hearings. We welcome you to our State and hope your short time here was enjoyable. I will be happy to answer any questions, or provide any additional information that you might want.